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SUBJECT: AUSTRALIA AND PACIFIC ISLANDS FORUM SECRETARIAT PLAN FOR LEADERS MEETING AND POST-FORUM DIALOGUE PARTNERS SESSION IN CAIRNS

REF: SUVA 171

#### AUSTRALIA AND THE PACIFIC ISLANDS FORUM WANT NEW ECONOMIC MECHANISM

**¶1.** (SBU) Australian high commission and Pacific Islands Forum (PIF) secretariat officials reported that the Pacific Leader's Meeting and Post Forum Dialogue (PFD) chaired by Australian Prime Minister Kevin Rudd, August 4-7 in Cairns, would center on economic development in the Pacific region. The role of International Financial Institutions (IFI's) in the Pacific region will be a key issue during the general discussion. Canberra and the PIF hope to move forward on developing a mechanism facilitated by the IFI's to address regional development and to mitigate the harmful effects on Pacific island countries of the global economic downturn. They expect donor countries to begin discussions on management of a framework devised by Forum members and key regional partners.

#### PACER-PLUS NEGOTIATIONS TO COMMENCE IN CAIRNS

**¶2.** (SBU) On June 18, Forum trade ministers agreed in Apia to recommend that negotiations for a Pacific Agreement on Closer Economic Relationship (PACER-Plus) free trade agreement should commence at the Forum Leaders Meeting in Cairns. In a joint statement, the ministers said their vision is for PACER-Plus to be a truly innovative trade and economic agreement that takes into account the different stages of development of each nation. Australia sees the implementation of PACER-Plus as part of the larger "Pacific Plan" that will strengthen capacity-building and meet development needs of Pacific island countries.

#### PIF SECRETARIAT WANTS CLOSER DONOR COORDINATION

**¶3.** (SBU) In addition to the economic issues, the PIF Secretariat wants the agenda of the Post-Forum Dialogue to include topics such as environment and climate change adaptation, fisheries protection, health and labor mobility. PIF officials understand that it would take some effort to reach agreement on an effective donor coordination framework between PIF members and PFD partners. At present, there is no way to harmonize the decision of leaders with donor country assistance. Under Australia's chair, it is likely

that the Cairns meeting will launch a series of discussions supported by the PIF Secretariat to enhance donor coordination.

FIJI WILL BE PRESENT WITHOUT A DELEGATION

¶4. (SBU) Canberra has signaled all along that it does not want the situation in Fiji to dominate discussion in Cairns. However, the political situation in Fiji will be a factor at the leader's meeting and on the margins of the conference among delegations. Australian high commission contacts and PIF officials say that because of Fiji's position as the second largest economy in the Pacific region, it is important that its economy not be allowed to collapse.

¶5. (SBU) Australia and the PIF understand that none of their objectives for the coming year can be achieved without Fiji. They are keen on developing an approach that takes into account Fiji's economy without implying support for its regime, which is consistent with the PIF decision not to exclude Fiji from existing programs and technical level discussions. To this end, Australia supports prudent IFI engagement with Fiji on a case by case basis, subject to strict guidelines and requirements to ensure it helps only the people of Fiji and not the regime. This approach would be consistent with current U.S. engagement with Fiji.

¶6. (SBU) Fiji's interim Prime Minister Bainimarama said today that Fiji is a signatory of PACER-Plus and that no country or party can exclude another state or party that has signed and ratified the trade agreement. We also learned that the Melanesian Spearhead Group might meet in Port Vila, Vanuatu, in early July and would likely invite Bainimarama to discuss Fiji's concerns resulting from

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its PIF suspension.

COMMENT

¶7. (SBU) The PIF Secretariat has not yet released the formal agenda for the PFD. PIF officials expect delegates to discuss PIF/PFD topics extemporaneously in a free and spontaneous exchange of ideas rather than from fixed talking points. The concentration of leaders, senior officials from the region, and participants from key partner capitals will mean numerous bilateral meetings. Embassy Suva anticipates bilateral meetings between USDEL and PIF Secretary General Slade, Kiribati President Tong, Nauru President Stephen, and Tonga Prime Minister Sevele. As with previous PIF's, we will consult with other PFD missions in Suva. We expect that the UK, EU and China would want meetings. Taiwan has been quietly present on the margins at previous PFD's and held bilats as well. Embassy Suva anticipates that the PIF Secretariat will hold a pre-brief for PFD partners, high commissioners and ambassadors in Suva prior to Cairns.

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